

January 11, 2000

TO: Senator Sid Snyder, Chair
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director, Department of Revenue
Marty Brown, Director, Office of Financial Management

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: JANUARY 10, 2000 REVENUE COLLECTION REPORT

General Fund-State receipts were \$11.6 million above the estimate in the December 11 - January 10 collection period. Higher than expected Revenue Act (retail sales, business and occupation, use, public utility and tobacco products) and real estate excise tax receipts accounted for more than the total variance. Their strength was partially offset by shortfalls in property tax and lottery General Fund transfers. This month's positive variance nearly offsets last month's shortfall; collections in the two months since the November forecast are now only \$4.1 million less than expected. Although collections for the last two months are close to expectations, growth of taxable activity appears a little stronger than expected and economic news continues to be positive. Nationally, the unemployment rate remains at 4.1 percent while the economy added more than 300,000 jobs in December. Consumer income and spending continue to increase, with November's spending again outpacing the gain in income. At the state level, the unemployment rate fell to 4.0 percent in November. This is nearly a percent below the year-ago level and the lowest level since the mid 1960's. The stronger than expected revenue growth combined with strong economic fundamentals is solid evidence that the economic expansion is continuing pretty much unabated in the fourth quarter.

Revenue act collections in the December 11- January 10, 2000 collection period (reflecting November 1999 business activity) were a strong 7.0 percent above a year-ago. This is higher than last month's 4.7 percent increase and is near the 7.1 percent average increase for the third quarter. Note, growth rates are adjusted for legislation and other special factors. In the last two months, growth has averaged 5.9 percent which does represent some deceleration from the third quarter, but is still a little faster than assumed in the November forecast. Although Revenue Act receipts are \$2.9 million less than forecast for the last two months, this shortfall exists solely because last month we received only about half of what was expected from a large audit payment and refunds were more than expected. Anecdotal evidence suggests December activity was strong nationally which may mean another strong month of Revenue Act growth next period.

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Preliminary data on taxes paid in the December 11 to January 10 collection period indicate strength pretty much across-the-board. Taxes paid by retailers were up over 7.0 lead by a double digit gain in furniture and household equipment retailers. Preliminary data show that taxes paid by the construction sector were also up more than 10 percent while taxes paid by the service sector were more than 8.0 higher than a year-ago. The only indication of any weakness was in the manufacturing sector which reported a more than 10 percent decline in tax payments for the period.

Non Revenue Act General Fund taxes collected by the Department of Revenue were \$3.1 million below the forecast in December. Weaker than expected property taxes were partially offset by stronger than expected real estate excise and cigarette tax receipts. Despite the shortfall this month, cumulatively, Non Revenue Act receipts are \$3.1 million higher than the estimate for the two months since the November forecast. This month's property tax shortfall reflects volatility in the monthly payment pattern and in part represents an offset to last month's positive variance. To-date, property tax receipts are very close (\$3.2 million below) to the estimate. Cigarette tax payments continue to be higher than expected, despite slower population growth and higher prices. For the month, cigarette receipts are \$1.1 million above the estimate and they are \$1.4 million higher for the two months since the November forecast.

Real estate excise activity accelerated again in November (November closings reflecting taxes paid to the state in December) fueled by strong growth in King and Snohomish Counties. Activity was up 15.5 percent statewide after declining 1 percent last month. The statewide increase was lead by a 32.0 percent increase in King County and a 21.1 percent increase in Snohomish County. Real estate activity excluding these two counties was 0.5 percent below the year-ago level.

Other agencies' collections were \$2.9 million below the forecast in December. Department of Licensing General Fund collections were \$1.3 million higher than anticipated. Cumulatively, Department of Licensing collections are \$1.6 million above expectations. The lottery's transfers to the General Fund were \$4.2 million below the estimate for the month. Cumulatively, lottery transfers are now \$5.9 million below the forecast.

The attached table 1 provides a comparison of collections with the November forecast for the December 11 to January 10, 2000 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

TABLE 1
Revenue Collection Report
January 10, 2000 Collection Report - Based on the November 1999 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
December 11 - January 10, 2000				
Department of Revenue-Total	\$881,021	\$895,545	\$14,523	1.6%
Revenue Act** (1)	567,051	584,677	17,626	3.1%
Non-Revenue Act(2)	313,971	310,868	(3,102)	-1.0%
Liquor Sales/Liter	6,740	7,141	402	6.0%
Cigarette	4,769	5,829	1,060	22.2%
Property (State School Levy)	264,316	253,608	(10,708)	-4.1%
Estate	6,759	6,384	(375)	-5.5%
Real Estate Excise	25,519	31,793	6,274	24.6%
Timber (state share)	0	0	0	NA
Other	5,868	6,113	245	4.2%
Department of Licensing (2)	653	1,935	1,282	196.2%
Lottery (2)	8,332	4,129	(4,203)	-50.4%
Total General Fund-State***	\$890,007	\$901,609	\$11,602	1.3%
Cumulative Variance Since the November Forecast (November 11 - January 10, 2000)3				
Department of Revenue-Total	\$1,855,038	1,855,190	151	0.0%
Revenue Act** (3)	1,182,349	1,179,363	(2,986)	-0.3%
Non-Revenue Act(4)	672,689	675,826	3,137	0.5%
Liquor Sales/Liter	13,790	13,982	192	1.4%
Cigarette	9,477	10,854	1,377	14.5%
Property (State School Levy)	538,737	535,534	(3,203)	-0.6%
Estate	15,131	15,033	(98)	-0.6%
Real Estate Excise	58,897	64,249	5,352	9.1%
Timber (state share)	5,673	5,483	(190)	NA
Other	30,984	30,691	(293)	-0.9%
Department of Licensing (4)	1,269	2,910	1,641	129.3%
Lottery (4)	20,139	14,213	(5,926)	-29.4%
Total General Fund-State***	\$1,876,447	\$1,872,313	(\$4,134)	-0.2%

1 Collections December 11 - January 10, 2000. Collections primarily reflect November 1999 activity of monthly taxpayers.

2 December 1-31, 1999 collections.

3 Cumulative collections, estimates and variance since the November forecast; (November 11-January 10, 2000) and revisions to history.

4 Cumulative collections, estimates and variance since the November forecast; (November and December 1999 and revisions to history.

* Based on the November 1999 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
December 10, 1999 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
November 11- December 10, 1999				
Department of Revenue-Total	\$959,645	\$959,645	(\$0)	-0.0%
Revenue Act (1)	594,687	594,687	(0)	-0.0%
Non-Revenue Act(2)	364,958	364,958	0	0.0%
Liquor Sales/Liter	6,840	6,840	0	0.0%
Cigarette	5,025	5,025	(0)	-0.0%
Property (State School Levy)	281,926	281,926	0	0.0%
Estate	8,649	8,649	0	0.0%
Real Estate Excise	32,456	32,456	0	0.0%
Timber (state share)	5,483	5,483	0	NA
Other	24,578	24,578	0	0.0%
Department of Licensing (2)	975	974	(1)	-0.1%
Lottery (2)	10,084	10,084	0	0.0%
Total General Fund-State***	\$970,704	\$970,703	(\$1)	-0.0%

Cumulative Variance: November 11 - December 10, 1999 & Revisions to History

Department of Revenue-Total	959,645	\$959,645	(\$0)	-0.0%
Revenue Act (3)	594,687	594,687	(0)	-0.0%
Non-Revenue Act(4)	364,958	364,958	0	0.0%
Liquor Sales/Liter	6,840	6,840	0	0.0%
Cigarette	5,025	5,025	(0)	-0.0%
Property (State School Levy)	281,926	281,926	0	0.0%
Estate	8,649	8,649	0	0.0%
Real Estate Excise	32,456	32,456	0	0.0%
Timber (state share)	5,483	5,483	0	NA
Other	24,578	24,578	0	0.0%
Department of Licensing (4)	975	974	(1)	-0.1%
Lottery (4)	10,084	10,084	0	0.0%
Total General Fund-State***	970,704	\$970,703	(\$1)	-0.0%

P-Preliminary. Reported in the December 10, 1999 collection report.

R Revised data.

1 Collections November 11 - December 10, 1999. Collections primarily reflect October 1999 business activity of monthly taxpayers.

2 November 1-30, 1999 collections.

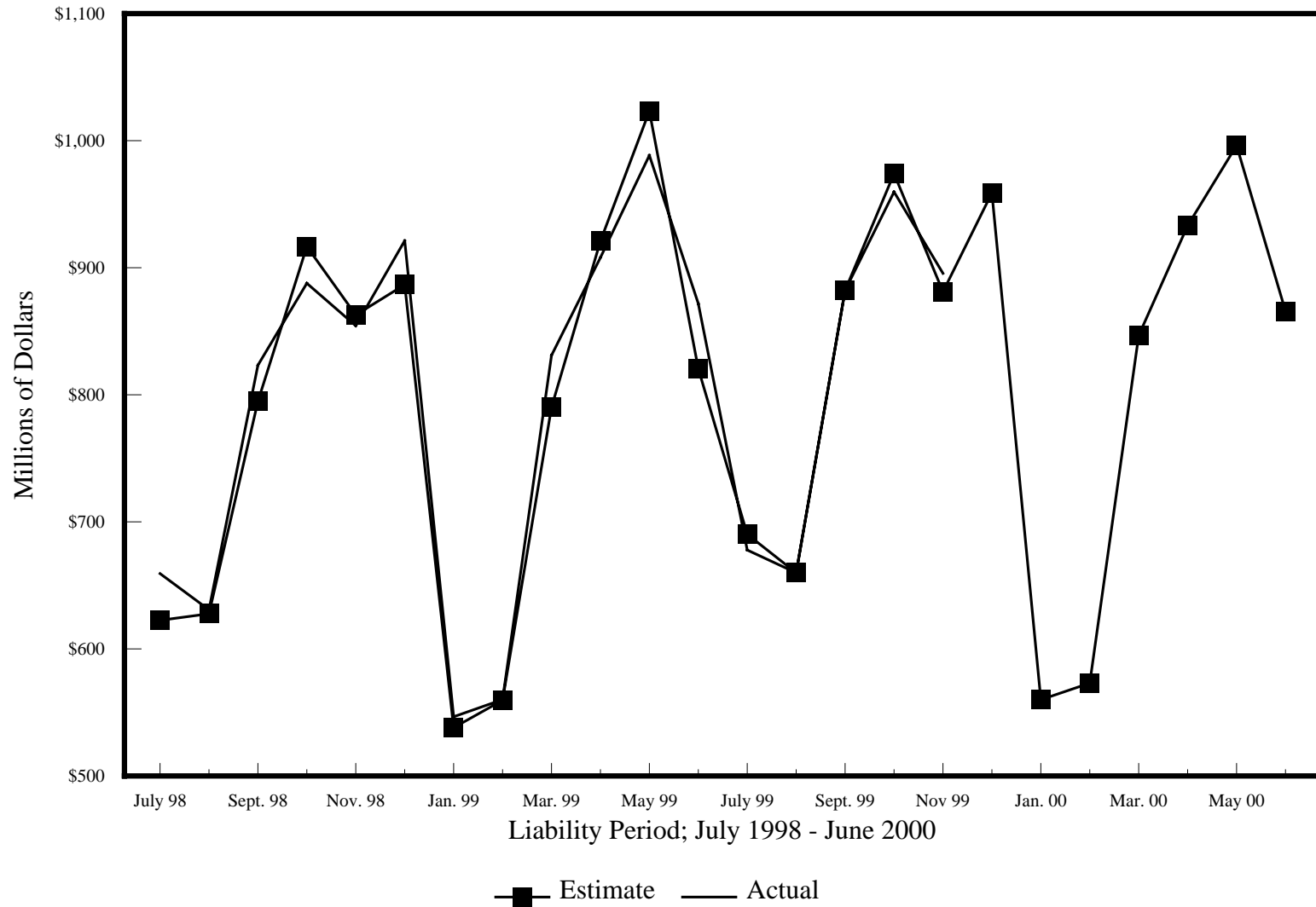
3 Cumulative variance for since the November forecast: November 11 - December 10, 1999, & revisions to history.

4 Cumulative variance: since the November forecast (October 1999) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

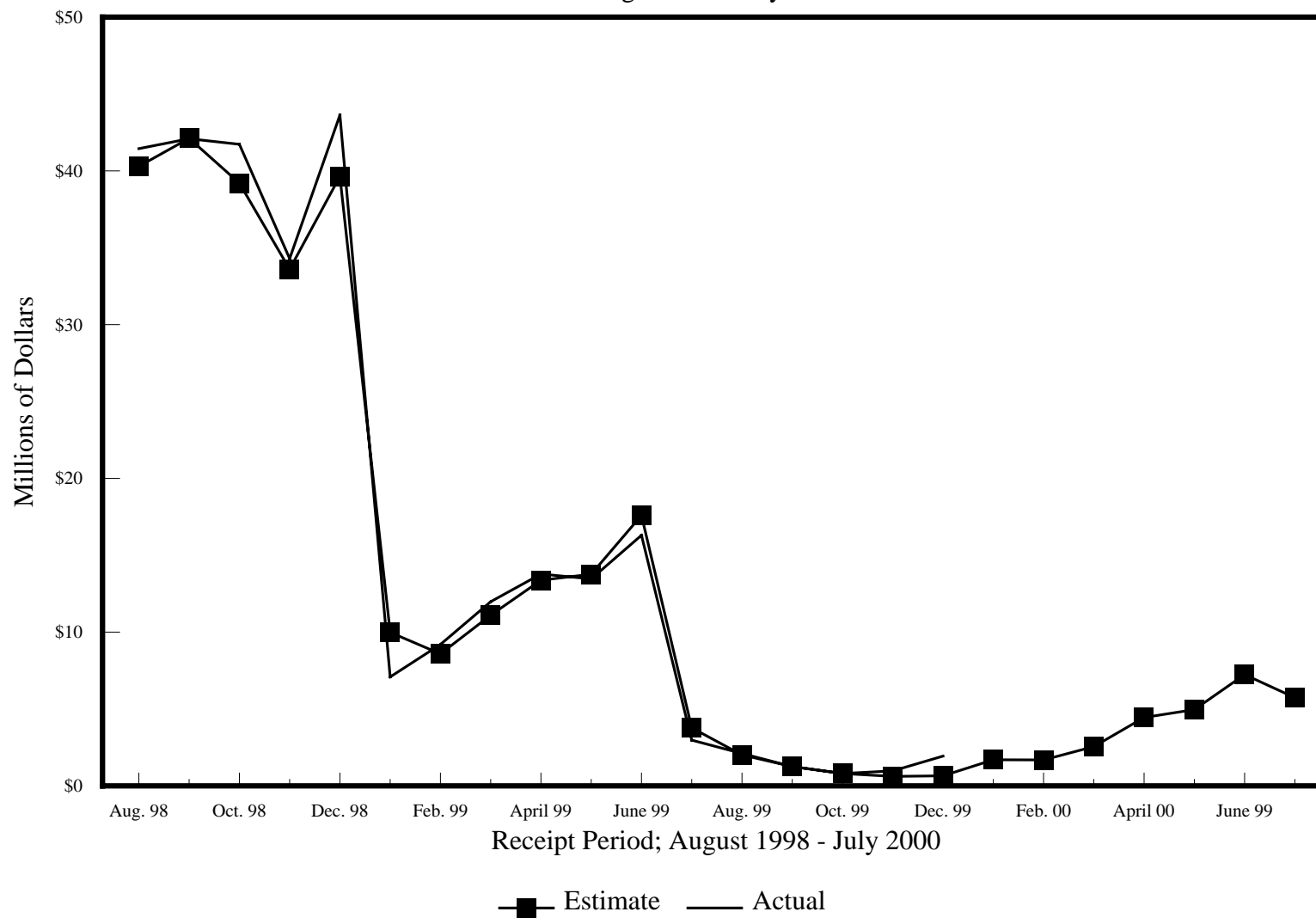
Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to June 2000



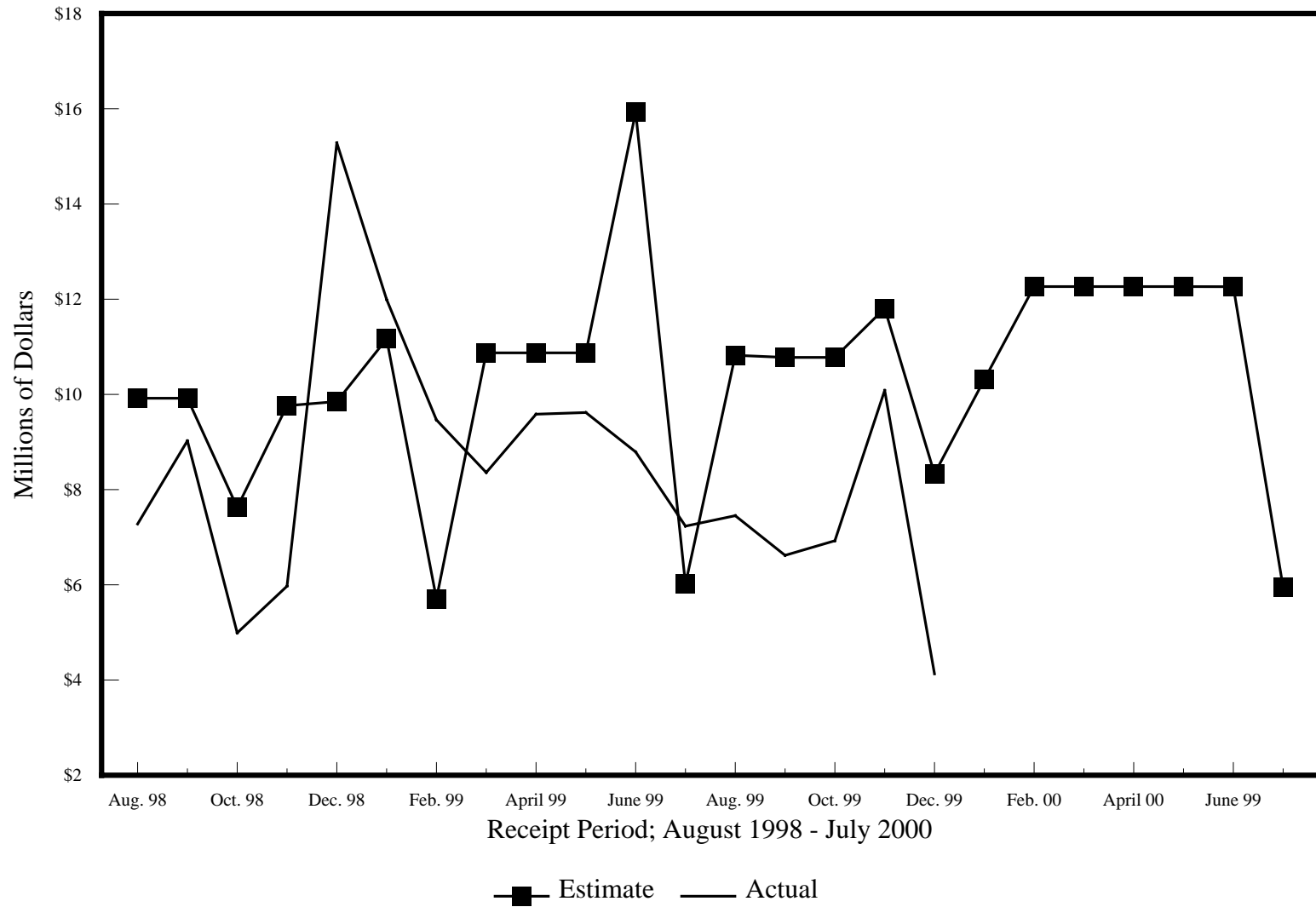
Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to July 2000



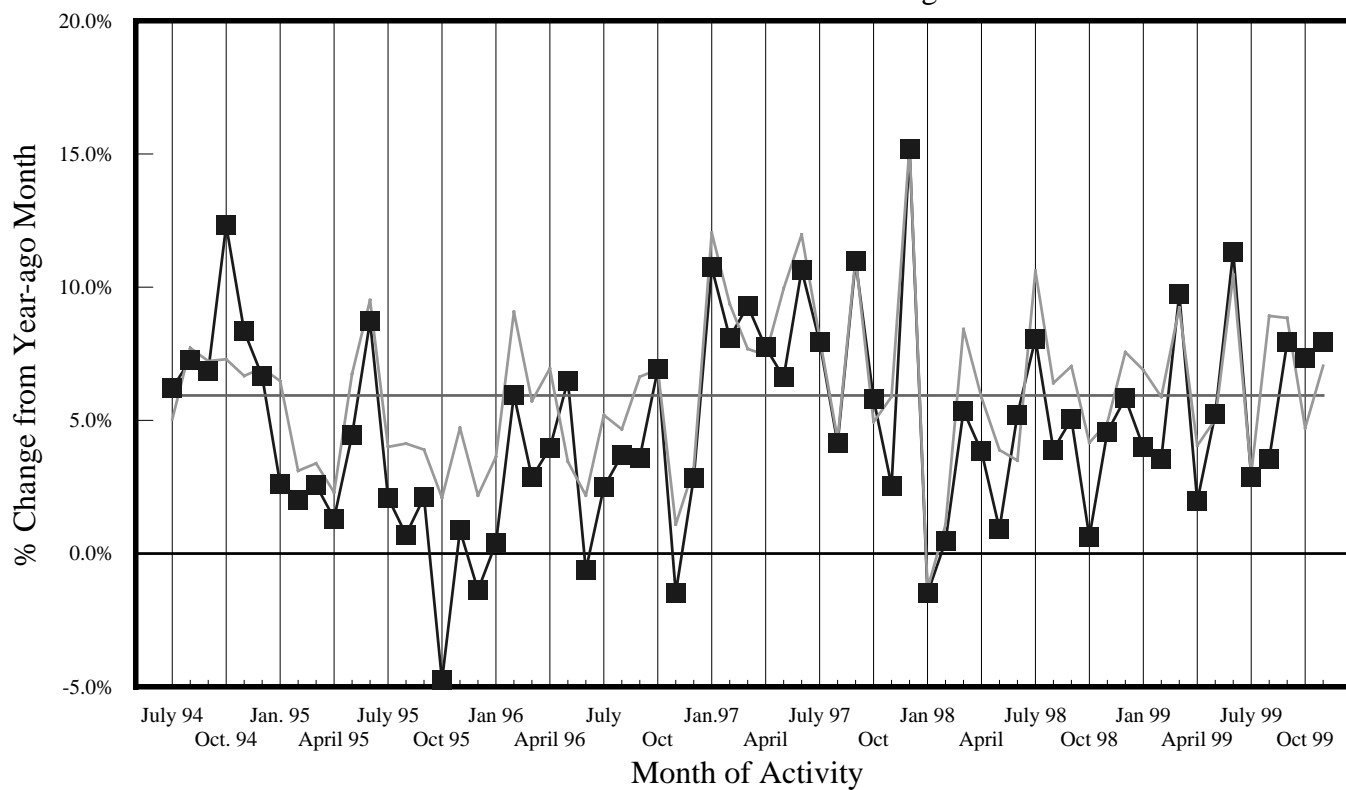
Lottery General Fund-State Transfers, Actual vs. Estimate

August 98 to July 2000



Revenue Act Net Collections

Year-over-Year Percent Change



■ %CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj.for Legislation)

— % Change from year-ago, adjusted for large audits & legislation